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1 TESTIMONY OF JACQUELINE R. CHERRY

2 FOR

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 97-004-E

IN RE: SOUTH CAROLINA ELECTRIC AND GAS COMPANY

3 Q. WOULD YOU PLEASE STATE FOR THE RECORD, YOUR NAME,
4 ADDRESS AND OCCUPATION?

5 A. My name is Jacqueline R. Cherry. My business
6 address is 111 Doctors Circle, Columbia, South
7 Carolina. I am employed by the Public Service
8 Commission of South Carolina, Accounting Department,
9 as an utilities accountant.

10 Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND
11 AND YOUR BUSINESS EXPERIENCE?

12 A. I received a B.S. Degree in Business Administration,
13 with a major in Accounting from Johnson C. Smith
14 University in 1976. I was employed by this
15 Commission in February 1979, and have participated
16 in cases involving gas, electric, telephone, water
17 and wastewater utilities.

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
19 PROCEEDING?

20 A. The purpose of my testimony is to summarize the
21 results of the Accounting Staff's examination of
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1 South Carolina Electric and Gas Company's Fuel
2 Adjustment Clause operation for the period March
3 1996 through April 1997. The findings of the
4 examination are contained in the Accounting
5 Department's section of the Commission Staff Report.

6 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

7 A. The Accounting Department Staff traced the
8 information as filed in the Company's required
9 monthly filing, to the Company's books and records.
10 The current examination covered the period
11 March 1996 through April 1997. However, since this
12 current hearing was scheduled for April 1997,
13 Staff's audit work did not include any testing for
14 the months of March and April 1997. The purpose of
15 the audit was to determine if South Carolina
16 Electric and Gas Company had computed and applied
17 the monthly Fuel Adjustment Clause in accordance
18 with the approved clause. To accomplish this, Staff
19 examined the components surrounding the operation of
20 the clause.

21 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN**
22 **THE SCOPE OF THE AUDIT?**

23 A. The examination consisted of the following:

- 24 1. Analysis of Account # 151 - Fuel Stock
25

2. Sample of Receipts to the Fuel Stock
Account--Account # 151
3. Verification of Charges to Nuclear Fuel
Expense, Account # 518
4. Verification of Purchased Power &
Interchange
5. Verification of KWH Sales
6. Analysis of Spot Coal Purchasing Procedures
7. Recomputation of Fuel Adjustment Factor and
Verification of Deferred Fuel Costs
8. Recomputation of True-up for the
(Over)Under-Recovered Fuel Costs
9. Details of Fuel Costs

Q. WITH REGARD TO THE TRUE-UP OF (OVER)UNDER-RECOVERED FUEL COSTS, WOULD YOU PLEASE ELABORATE ON STAFF'S COMPUTATION?

A. Staff analyzed the cumulative over-recovery of fuel costs that the Company had incurred for the period March 1996 through February 1997 which totalled \$4,914,169. Staff added the projected over-recovery of \$734,800 for the month of March 1997 and the projected over-recovery of \$799,470 for April 1997 to arrive at an cumulative over-recovery of \$6,448,439. The Company's cumulative over-recovery as of April 1997, per its testimony in Docket No.

1 97-004-E, totals \$6,431,897. The difference between
2 the Company's and the Staff's cumulative
3 over-recovery balances as of actual February 1997
4 and as of estimated April 1997 totals \$16,542.
5 Staff's Purchased Power figures for March 1996
6 through May 1996, and for October 1996 through
7 February 1997 differs from the Company's figures.
8 Staff's figures, per Staff's report, reflect
9 calculation adjustments made to Purchased Power
10 Costs for the aforementioned months, based on
11 Staff's review of Purchased Power invoices and
12 system operations reports. Also, Staff's Fossil
13 Fuel Burned Costs figures for October 1996 through
14 December 1996, and for February 1997 differs from
15 the Company's figures. Staff's figures reflect
16 corrections for miscalculations and reflect revised
17 (updated monthly information) fossil fuel costs. It
18 should be noted that in Staff's report, after the
19 corrections to Purchased Power Costs and Fossil Fuel
20 Burned Costs, the resultant (over)/under-recovery
21 monthly amounts differs from the Company's figures
22 for the months of March 1996 through May 1996, and
23 for December 1996. The other aforementioned months
24 did not reflect a change in the monthly Fuel
25 Adjustment Per KWH. It should be noted that the

1 Company will true-up the cumulative difference of
2 \$16,542, on a per books basis, by the next fuel
3 review period. As stated in South Carolina
4 Electric & Gas Company's Adjustment for Fuel Costs,
5 fuel costs will be included in base rates to the
6 extent determined reasonable and proper by the
7 Commission. Accordingly, the Commission should
8 consider the over-recovery of \$6,448,439 along with
9 the anticipated fuel costs for the period May 1,
10 1997 to April 30, 1998, for the purpose of
11 determining the base cost of fuel in base rates
12 effective May 1, 1997. This \$6,448,439
13 over-recovery figure was provided to the
14 Commission's Utilities Department.

15 **Q. MRS. CHERRY, WOULD YOU PLEASE DESCRIBE THE REMAINING**
16 **STAFF EXHIBITS?**

17 **A.** Staff prepared exhibits from South Carolina Electric
18 and Gas Company's books and records reflecting fuel
19 costs during the review period.

20 Specifically, these exhibits are as follows:

21 Exhibit A: Fossil Fuel Stock Report

22 Exhibit B: Received Coal-Cost Per Ton (Per Plant)

23 Exhibit C: Total Received & Weighted Average Cost

24 Exhibit D: Received Coal-Cost Per Ton Comparison

25 Exhibit E: Burned Cost- Consumed Generation

1 Exhibit F: Cost of Fuel

2 Exhibit G: Factor Computation

3 Exhibit H: Computation of Unbilled Revenue

4 Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE ACCOUNTING
5 DEPARTMENT'S AUDIT?

6 A. Based on the Accounting Staff's examination of South
7 Carolina Electric and Gas Company's books and
8 records, and the utilization of the fuel cost
9 recovery mechanism as directed by the Commission,
10 the Accounting Department is of the opinion that the
11 Company has complied with the directives (per the
12 Fuel Adjustment Clause) of the Commission.

13 Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes, it does.
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